

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Ken Nickolai
Thomas Pugh
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of a Petition by Northern States
Power Company d/b/a Xcel Energy to Separate
the Fuel Clause Adjustment from the Resource
Adjustment

ISSUE DATE: January 4, 2005

DOCKET NO. E-002/M-02-2097

ORDER ACCEPTING PROPOSAL AS
MODIFIED

PROCEDURAL HISTORY

On June 4, 2003, the Commission, in its ORDER APPROVING PROPOSAL, REQUIRING COMPLIANCE FILING, AND OPENING INVESTIGATION INTO THE CONTINUING USEFULNESS OF FUEL CLAUSE ADJUSTMENTS FOR ELECTRIC UTILITIES,¹ required, among other things, Xcel to file a plan for separating the Fuel Clause Adjustment and the Resource Adjustment on customers' bills.

On March 31, 2004, Xcel filed its petition to separate the Fuel Clause Adjustment (FCA) from the Resource Adjustment (RA).

On June 1, 2004, the Department of Commerce (DOC) filed its recommendation to approve Xcel's proposal with modifications.

On June 11, 2004, Xcel filed its reply. Xcel sought direction from the Commission regarding the Commission's intent regarding this separation and whether changes recommended by the DOC were necessary to accomplish that intent.

On June 28, 2004, the DOC filed supplemental comments clarifying its position.

On October 6, 2004, the DOC filed additional comments in which the DOC made changes to its recommendations.

¹ *In the Matter of Northern States Power Company d/b/a Xcel Energy's Fuel Clause Adjustment, Petition for Approval of Base Cost of Energy Revision and Compliance Filing, Docket No. E-002/M-02-2097, and In the Matter of an Investigation into the Appropriateness of Continuing to Permit Electric Energy Cost Adjustments, Docket No. E-999/CI-03-802.*

On October 14, 2004, Xcel filed supplemental reply comments requesting the Commission approve its plan, as modified by the DOC's additional comments and Xcel's supplemental comments.

The matter came before the Commission on December 21, 2004.

FINDINGS AND CONCLUSIONS

I. Xcel's Proposal as Modified

Xcel proposed to separate the FCA, which collects costs of fuel and purchased power used to produce electricity for customers, from the Resource Adjustment (RA), creating two separate line items on customer bills. Under Xcel's proposal the FCA would be shown as a separate line on customer bills and would separate fuel and purchased power costs from other costs. The separate Resource Adjustment line would include the Conservation Improvement Program (CIP) Adjustment, the Renewable Cost Recovery (RCR) Adjustment, the State Energy Policy (SEP) Rate Rider, and the Renewable Development Fund (RDF) Rider.

The DOC made several recommendations and revised recommendations regarding the Company's proposal. The Company accepted the DOC's recommendations, as modified. The proposal finally agreed upon by the DOC and the Company is as follows:

- The Company agreed to propose a "Fuel Costs" line item that shows all electric fuel costs on one line in the Company's next rate case (unless the Commission's decisions in the FCA Docket² render that option no longer feasible).
- The Company agreed to use a "Fuel Cost Adjustment" line item to report the FCA on bills until a decision is made on this matter in the next rate case. To implement this the Company will rename the FCA surcharge the "Fuel Cost Adjustment" on both the front and the back of consumer bills.
- The Company agreed to implement the proposed FCA adjustment within 60 days of implementation of its new billing system, currently scheduled for early 2005.
- The Company agreed to update the "Purchase Gas Adjustment" language on the back of its billing form as soon as possible.
- The Company agreed to prepare "customer-friendly" documents that provide an itemization of costs associated with the RA and a description of seasonal trends of fuel and purchased power costs.
- The Company agreed to file these documents with the Commission, communicate the information contained in these documents to customers who contact the Company's call center to inquire about these issues, and post similar information on the Company's web site.

² *Investigation into the Appropriateness of Continuing to Permit Electric Energy Cost Adjustment*, Docket No. E-999/CI-03-802.

II. Commission Action

The Commission finds that Xcel's proposal, as modified in the supplemental reply comments of Xcel and the additional comments of the DOC, is reasonable and consistent with the Commission's previous Order. The Commission will approve it as modified and direct that Xcel take the actions set forth in the Ordering paragraphs below.

The Commission, in its previous Order in the present docket,³ recognized that a single listing on customers' bills that consolidates several automatic rate adjustments has made the information available to the customer less and less informative. For this reason, the Commission required Xcel to develop a plan for separating the Fuel Clause Adjustment and the Resource Adjustment on customers' bills. Xcel's proposal, as modified, accomplishes this and will be approved.

ORDER

1. The Commission hereby approves Xcel's Proposal to Separate the Fuel Clause Adjustment from the Resource Adjustment, as modified by the DOC in its additional comments of October 6, 2004, and by the Company in its supplemental reply comments of October 14, 2004.
2. Xcel shall establish a "Fuel Cost Adjustment" on customers' bills separate from the Resource Adjustment.
3. Xcel shall continue the combination of the remaining items in the Resource Adjustment on the customers' bills.
4. Xcel shall implement the separation plan within 60 days of the rollout of the new billing system.
5. Xcel shall file updated tariff pages at the time of implementation of the separation plan. The Commission approves Xcel's request to use the main fuel clause tariff page to indicate that the Fuel Clause Adjustment will be shown as the Fuel Cost Adjustment on customers' bills and to link the main fuel clause tariff page to all other pages.
6. Xcel shall work with the Consumer Affairs Office and the DOC in finalizing the customer notice to be included as a bill insert with the first bill showing the separation. Xcel's phone number and web address shall be included on the notice.
7. The Commission hereby rescinds variances to Minn. Rules granted in docket No. E-002/M-94-1016 on March 20, 1995, effective with the implementation of the separation of the FCA from the Resource Adjustment.

³ ORDER APPROVING PROPOSAL, REQUIRING COMPLIANCE FILING, AND OPENING INVESTIGATION INTO THE CONTINUING USEFULNESS OF FUEL CLAUSE ADJUSTMENTS FOR ELECTRIC UTILITIES, June 4, 2003.

8. Xcel shall post on its website an itemization of the individual components of the Resource Adjustment and an explanation of the seasonal trends of the costs of fuel and purchased power.
9. Xcel shall reflect “Fuel Cost Adjustment” and update the purchased gas adjustment language on the back of the electric and gas bill stock as soon as possible.
10. Xcel shall prepare “customer-friendly” documents explaining the individual components of the Resource Adjustment and explaining the seasonal trends of the costs of fuel and purchased power. The documents shall be filed with the Department and the Commission, posted to the Company’s website, and communicated to customers calling Xcel’s call center.
11. Xcel shall propose a method to show all electric fuel costs on one line in the Company’s next rate case (unless the Commission’s decisions in the FCA investigation in Docket E-999/CI-03-802 render that option no longer feasible).
12. Xcel shall provide annual notice to customers regarding the Resource Adjustment.
13. The Commission delegates to the Executive Secretary authority to approve the final version of the customer notice and information filed with the Commission which is intended to be used by Xcel for posting to its website and communication with customers calling its call center.
14. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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